CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

October 28, 1998

H.R. 4110
Veterans Programs Enhancement Act of 1998

As cleared by the Congress on October 21, 1998

SUMMARY

The Veterans Programs Enhancement Act of 1998 contains several provisions that would affect direct spending. Only five provisions would have any significant impact, and CBO estimates that the act would increase direct spending by $29 million through 2003 and by $58 million through 2008.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Table 1 displays the budgetary effects of the direct spending provisions in the act. Those costs would stem from provisions affecting veterans' pensions, readjustment benefits, and home loan programs. The act would provide a cost-of-living adjustment (COLA) that raises costs relative to current law, but not relative to the baseline used for measuring pay-as-you-go impacts. Other provisions having little or no impact on direct spending would affect burial benefits, insurance programs, and readjustment benefits.

Veterans' Pensions. Section 904 would authorize payments from the veterans' pensions account (a mandatory account) to the Medical Facilities Revolving Fund, which could spend the receipts. The amounts transferred would be the difference between the standard monthly pension payments for some veterans receiving nursing home care from the VA and the $90 monthly payment they receive under provisions scheduled to expire in 2002. The VA would use the transfer to the revolving fund to defray operating expenses at the facility providing the veteran's care. CBO estimates that this section would increase spending by about $2 million annually, except that costs would total an estimated $4 million in 1999 because the transfer associated with 1998 pension payments would probably occur in 1999.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF DIRECT SPENDING PROVISIONS IN H.R. 4110
(Outlays by fiscal year, in millions of dollars)

Section	Provision	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
904	Veterans' Pensions	4	2	2	2	0	0	0	0	0	0
201	Reporting Fees Adjustment	3	3	3	3	3	3	3	3	3	3
603	Home Loans for Reservists	0	-3	-3	-3	-3	0	0	0	0	0
205	On-the-Job Training Programs	2	2	2	2	2	2	2	2	2	2
601	Transitional Housing	1	1	1	1	2	2	2	0	0	0
1101	Compensation COLA	a	a	a	a	a	a	a	a	a	a
	Total[b]	10	5	5	5	4	7	7	5	5	5

a. The costs of this provision are already assumed in the CBO baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act; thus, it would have no costs relative to that baseline. Relative to current law, this provision would increase spending by $316 million in 1999 and by $415 million a year thereafter.

b. The act contains several other provisions that would, in aggregate, affect direct spending by less than $500,000 annually.

Reporting Fee Adjustment. Section 201 would require the Department of Veterans Affairs (VA) to make payments to schools based on the total enrollment of veterans during a calendar year. Currently, the VA makes payments to schools for administrative purposes based on the enrollment of veterans on October 31 of each year. CBO estimates that this provision would cost about $3 million a year.

Home Loans for Reservists. Section 603 would extend the home loan benefits for reservists and raise fees charged for this benefit through 2003. Under current law, the benefits expire on October 27, 1999, and the fees expire in 2002. CBO estimates that this provision would increase VA loan guarantees by roughly 7,000 each year. Because origination fees would more than offset the subsidy cost of additional loan guarantees, CBO estimates that the provision would lower net spending by about $3 million annually over the 1999-2003 period.

On-The-Job-Training. Section 205 would expand on-the-job-training (OJT) opportunities for beneficiaries of the Montgomery GI Bill (MGIB). Current law requires regular pay increases for student veterans in OJT programs and prohibits participation in programs where trainees do not receive their first pay increase until after completing the program. The bill would allow veterans to receive benefits from participating in certain programs operated by federal, state, or local governments. CBO estimates that this provision would increase the number of trainees by about 10 percent, resulting in increased outlays of about $2 million a year.

Transitional Housing for Homeless Veterans. Section 601 would establish a pilot program to guarantee loans to organizations that would provide transitional housing to homeless veterans. The pilot program would be limited to 15 loans and the total guarantee could not exceed $100 million. The loans could be used for a wide variety of activities, including construction or rehabilitation of housing, refinancing of existing loans, and acquisition of land, furniture, and equipment. Based on experience with similar programs of the VA and the Small Business Administration and assuming that the VA would establish terms and conditions similar to its current programs, CBO estimates that the subsidy rate for this program would be about 10 percent. Therefore, we estimate that the act would provide subsidy appropriations of $10 million, and that the program would cost approximately $1 million a year over the 1999-2002 period and approximately $2 million a year over the following three years.

Compensation Cost-of Living Adjustment. Section 1101 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same cost-of-living adjustment (COLA) payable to Social Security recipients. The increase would take effect on December 1, 1998, and the results of the adjustment would be rounded to the next lower dollar. However, the COLA is assumed in the CBO baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, and savings from rounding it down were achieved by the Balanced Budget Act of 1997 (Public Law 105-33). As a result, this provision would have no budgetary effect relative to the baseline. Relative to current law, enacting this legislation would increase spending for these programs by about $316 million in 1999 and about $415 million a year thereafter.

Other Provisions. Several other provisions would have a budgetary impact of less than $500,000 annually.

- Section 107 would extend for one year or until December 31, 1999, a program to provide diagnostic testing and health examinations to certain dependents of Gulf War veterans. Based on the current rate of spending of this program, CBO estimates that the extension will cost less than $500,000 for the year.

- Under current law, veterans in work-study programs receive 40 percent of their wages for a semester when it begins. Section 202 would permit them to receive their wages as they are earned. This provision would result in savings in the first year, but in succeeding years the provision would have little or no net effect.

- Section 203 would allow a veteran who has not earned a high school diploma by the time of discharge but who has earned twelve semester hours of college credit to be eligible for MGIB benefits. In order to establish eligibility for MGIB benefits under current law, veterans must have a high school diploma at the time of discharge. CBO estimates that this provision would result in about 30 new trainees a year.

- Section 301 would increase the special pension paid to recipients of the Congressional Medal of Honor from $400 a month to $600 a month. Data from VA indicate that 151 veterans currently receive the special pension.

- Section 302 would require VA to prescribe regulations under which any terminally ill person insured under either the Servicemembers' Group Life Insurance (SGLI) or Veterans' Group Life Insurance (VGLI) could elect to receive a lump-sum payment in advance. CBO estimates that this provision would not have a net budgetary impact because these programs are administered by the Prudential Insurance Company and the costs are met through premiums that would offset any budgetary impact.

- Section 304 would merge the insurance policies of approximately 1,200 veterans currently enrolled in a small part of the National Service Life Insurance (NSLI) program with a larger pool of policies in other NSLI programs. This provision would cap premiums and require the payment of dividends to a small number of veterans.

- Section 401 would authorize VA to furnish memorial headstones and markers, under certain circumstances, on behalf of spouses who predecease the veterans. Based on data from VA, CBO estimates that fewer than 500 spouses annually would become eligible for memorialization under the act.

- Under Section 402, merchant mariners who served between August 16, 1945, and December 31, 1946, would be eligible for veterans' burial and funeral benefits. Based on information from the Coast Guard, CBO estimates that about 900 veterans would be eligible for benefits each year, but that many of those would not apply for benefits. Average costs would be about $300 per person.

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